

Service Date: September 29, 1999

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	UTILITY DIVISION
MONTANA POWER COMPANY for Approval)	
of its Electric Utility Restructuring Transition Plan)	DOCKET NO. D97.7.90
Filed Pursuant to Senate Bill 390.)	ORDER NO. 5986I

EXTENSION OF ACCOUNTING ORDERS

1. The Montana Public Service Commission (Commission) issued Order No 5986d on June 18, 1998. As requested by Montana Power Company (MPC), the Commission approved two accounting orders for (1) generation related regulatory costs (CTC-RA) and (2) qualifying facility costs (CTC-QF). The accounting orders defined the interim sales period as July 1, 1998, until April 1, 1999. The orders stated that MPC could apply to the Commission to revisit the on-going need for the orders after April 1, 1999.

2. On March 10, 1999, MPC filed a request to extend the date of the CTC-QF and CTC-RA accounting orders to December 31, 1999. MPC noted that the Company is in the process of selling its generation assets and purchased power contracts. During the processing of the sale, MPC continues to incur the actual costs associated with its regulatory assets and QF contracts. Customers who continue to receive bundled service pay these costs in current rates, but customers who opt for choice, absent these accounting orders, would not pay for these costs. MPC asserted that until such time that the generation sale is completed, an extension of these accounting orders is necessary in order to allow MPC to continue to recover the level of its QF and RA costs in current rates, and to provide for equitable treatment between customers with and without customer choice.

3. On March 25, 1999, MPC filed a Joint Agreement regarding the extension of accounting orders for generation costs among The Montana Power Company, Montana Consumer Counsel and the Large Customer Group. The Joint Agreement contained five provisions:

1. The existing Qualifying Facility and generation-related Regulatory Asset accounting orders would be extended to September 30, 1999.
2. MPC reserved the right to request a further extension of these accounting orders, as necessary.

3. MPC agreed to file its Tier II filing by July 1, 1999, at the latest.
4. The parties agreed, working with the Commission staff, to promptly commence discussions to establish an acceptable procedural schedule for processing the Tier II filing. The procedural schedule would include steps to address any further need for these accounting orders.
5. MPC agreed to provide to those interested choice customers, who are prospectively liable for Qualifying Facility and generation-related Regulatory Asset costs under the accounting orders, the necessary information regarding such costs and their proposed disposition as soon as possible, but no later than July 1, 1999.

4. On August 30, 1999, MPC filed a request to extend the accounting orders because the generation sale would not close by September 1, 1999. MPC indicated that it estimated that the closing would take place in mid-to-late October. MPC requested that the accounting orders be extended to December 31, 1999. If the final financial closing of the sale is completed and MPC has received payment prior to this date, MPC will notify the Commission that there is no longer a need for the accounting orders. If the sale is not completed, MPC reserved the right to request a further extension of these orders.

5. On August 30, 1999, MPC requested that the accounting orders for CTC-RA and CTC-QF be extended until December 31, 1999. The reason for the extension is that the sale of MPC's generation did not close by September 1, 1999. MPC now estimates that the sale will close in mid-to-late October. On September 15, 1999, LCG filed comments which requested that the Commission eliminate the CTC-RA from rates at this time and decline to extend the CTC-RA Accounting Order.

6. On September 24, 1999, MPC filed a reply to the LCG's comments regarding the extension of accounting orders. MPC does not agree that the accounting order for CTC-RA should be terminated because MPC will continue to incur ongoing costs until the sale closes. Also, bundled customers continue to pay these costs in current rates. As to the time of closing MPC stated that the Company is diligently working to close its sale with PP&L Global, Inc. The sale is complicated and certain parts of it such as FERC approvals lie outside of MPC or PP&L's control.

7. Section 69-8-211(1)(b), MCA, requires the Commission to allow the recovery of "unmitigatable costs of energy supply-related regulatory assets and deferred charges that exist because of current regulatory practices and that can be accounted for up to the effective date of

the Commission's final order regarding a public utility's transition plan, including costs, expenses, and reasonable fees related to issuing transition bonds." According to MPC, LCG's request that the Commission immediately eliminate the regulatory asset component of rates and decline to extend the accounting order clearly violates this provision that allows MPC to account for regulatory asset costs up to the effective date of the Commission's final order.

Commission Decision

1. The Commission recognizes that the accounting orders have been extended several times due to the sale not closing. MPC now estimates that the sale will close by mid-to-late October. The Accounting Orders allow the matching of revenues and expenses, and ensure that small and large customers are treated consistently. Although MPC estimates that the sale proceeds will be sufficient to eliminate the CTC-RA portion of rates once the sale is completed, the Company continues to experience these costs until the financial closing takes place. For this reason the Commission will not agree with LCG that the CTC-RA accounting order should not be extended beyond September 30, 1999. In light of the number of extensions to these accounting orders, the Commission urges MPC to do everything possible to conclude the closing of the sale by the end of October.

CONCLUSIONS OF LAW

1. The Commission exercises authority over public utilities and the electric utility industry restructuring pursuant to its authority under Title 69, particularly Chapters 3 and 8, MCA. MPC is a public utility subject to the Commission's jurisdiction and authority.

ORDER

WHEREFORE, THE COMMISSION ORDERS THE FOLLOWING:

1. The accounting orders approved in Order No. 5986d are hereby extended to December 31, 1999. Except for this extension, all findings, conclusions of law and ordering paragraphs in the accounting orders are carried forward to this Order, and continue to be in force and fully effective. MPC may apply to the Commission for an extension of these accounting Orders.

DONE AND DATED this 27th day of September, 1999, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.